

The pricing review: discussion paper

Our discussion paper explores issues with the pricing framework that may be limiting customer choice and contributing to higher costs

On 25 July 2024, the Australian Energy Market Commission (AEMC or Commission) self-initiated a broad, forward-looking review to consider future electricity pricing. In this context, electricity pricing refers to network and retail tariffs, how these interact, and how they can operate together to facilitate the design and offering of electricity products and services for customers.

As the next step in this review, we have published a discussion paper. The purpose of this paper is to test and validate with stakeholders what we have heard about the problems identified, why they are occurring, and whether they will persist in the future in the absence of reform. We have also posed a range of questions for stakeholders to respond to. This paper does not offer recommendations, direction or solutions; these will instead form part of our next steps.

Three discussion areas have been identified



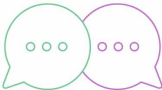
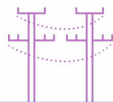

Stakeholders provided valuable insights in response to our earlier consultation paper. We heard issues that are preventing consumers from accessing the benefits of electricity offerings that suit their needs and that are potentially contributing to unnecessarily higher costs and risks.

While these issues are easily observed, it can be more difficult to identify and address the problems causing them. Electricity comes to customers across a complex supply chain, and different problems can have their origins in one or many links in the chain.

To tease out the source of issues contributing to adverse consumer outcomes, we have broken down the discussion paper into three areas; retail, retailer network interface, and network. The three key discussion questions are:

1. Can we rely on competition in the retail market to deliver the mix of products and services that consumers value?
2. How can better outcomes for consumers be enabled through network tariff-setting processes?
3. What role can network tariffs play in meeting customer preferences while also contributing to lower overall costs?

We are seeking stakeholders' views on our discussion of these three areas, summarised in the diagram below.

 Customers	 Retailers	 Retail-network interface	 Distribution networks
For customers, electricity is essential to their daily lives.	Retailers are commercial organisations that sell electricity to customers in bundled plans.	Network tariffs are often the largest input cost to retailers' plans for customers.	Networks are regulated entities that construct and operate poles and wires to bring electricity to customers.
Customers electricity use is changing as CER adoption proceeds. This creates opportunities for better consumer offerings and cheaper electricity for all.	Retailers can innovate new electricity services to better meet customer needs.	Networks and retailers can collaborate and innovate and lower customer costs.	Network tariff design can support retailers to innovate and ensure that existing network capacity is well utilised.
There are a range of areas where customers' preferences are not being met. This review provides the opportunity to address these issues.	Retail market outcomes for consumers are uneven.	Network tariffs are not designed for retailers and may limit retail offers.	Network tariffs do not share the costs of paying for distribution infrastructure fairly among electricity consumers, and may not be suitable for future consumers.
	Retail regulations may be limiting innovation and adding costs.	The number of different and changing network tariffs presents costs and risks to retailers.	Network tariffs sometimes send price signals to consumers that unnecessarily work against wholesale market signals.
 Questions for stakeholders to consider	Can we rely on competition in the retail market to deliver the mix of products and services that consumers value?	How can better outcomes for consumers be enabled through network tariff-setting processes?	What role can network tariffs play in meeting customer preferences while also contributing to lower overall costs?

Next steps

We are seeking stakeholders' views on the questions in the discussion paper. Written submissions responding to the paper must be lodged with the Commission by 10 July 2025.

On 5 June 2025 we will hold a public forum to discuss the paper. We invite stakeholders to register for the public forum [here](#).

Stakeholders' responses to this paper will feed into the next stages for this project, where we will move to focus on solutions to problems found. We will consider the best next step following receipt of submissions. We may publish an additional paper prior to finalising our draft recommendations. We would welcome stakeholder comments on the desired next steps.

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